

What price for your safety?

Life360 (360:ASX) is a mobile app that promotes family safety and communication via a range of tiered services. While available in ~195 countries, the US accounts for over half the user base. The company offers plans starting with a free package and topping out at US\$19.99/month incorporating services such as roadside assist, location history, phone insurance cover and individual driving reports. The target market is families who value safety and communication and has historically been aimed families with teens and families with children at college. The company derives revenue directly from the app subscription base and indirectly from selling data and as an AllState lead generation partner. The group reported 25.2m “Global Monthly Active Users (MAU’s) and 845k “Paying Circles”. The current annual spend of paying users in the US was US\$71.72/year at June 2020. 360’s strategy is to convert non-paying active users into subscribers and encourage current subscribers to retain and upgrade plans through the promotion and introduction of new services. The group ended June 30 with US\$58.4m in cash. Given the product’s core features centre around location and driving information, the social distancing measures surrounding COVID-19 have impacted monthly active users over the last 6 months, declining 10% June quarter on March quarter, while subscriber numbers were resilient, increasing 2% June quarter on March quarter. A new membership offering was launched recently with a broader array of services and with four clear plans (free, Silver, Gold and Platinum).

Business model

360 operates a “freemium” revenue model, offering a basic app based safety service for free and marketing to this user base to pay a monthly subscription for additional services, including historical location history, roadside assistance and identity protection and phone insurance to name a few. The business also derives indirect revenue from selling data and receiving referral fees from partners.

Recent company commentary

Note earnings numbers for 360 are denominated in US\$. 360 delivered 1HCY20 normalised revenue of US\$38.7m (+57%) and an adjusted EBITDA loss of US\$2.6m, an 82% improvement on PCP as marketing expenses were adjusted to a COVID-19 slowdown, and more freemium users converted to the subscription model (+21%). 360 ended June 30 with US\$58m (A\$82m) in cash, which represent ~5-years’ cash burn at current burn rates. The business reported 25.2m monthly active users at June, up 9% on the PCP but down 10% on the previous quarter due to COVID. The platform has recently been upgraded and pricing simplified in the US with four options now available, free, silver (US\$4.99/month), Gold (US\$9.99/month) and Platinum (US\$19.99/month). Each tier offers varying levels of functionality.

Competition across a number of service providers

Most smart phones have a basic inbuilt “find my phone” function using GPS, while there are many offerings for specific services such as roadside assistance (think RACV), phone insurance (insurance companies) and driving reports (GPS telematics). Most new cars have built-in hardware/software which offers drivers’ plans for motor vehicles safety including GM’s OnStar, Ford’s SYNC and Hyundai’s Bluelink. There is arguably few software-only products and platforms that offer such a complete suite of services.

Historical earnings and ratios

Year end	Revenue (US\$m)	EBITDA Adj.*	NPAT Adj.* (US\$m)	NPAT Rep.	EPS Adj.*(c)	EPS Rep. (c)	EV/Sales (x)
12/16a	5.3	(13.7)	(14.2)	(14.2)	nm	nm	103.4
12/17a	11.5	(13.2)	(13.6)	(13.6)	nm	nm	47.7
12/18a	32.0	(16.4)	(17.4)	(18.2)	nm	nm	17.1
12//19a	58.9	(22.9)	(23.1)	(28.7)	nm	nm	9.3

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items

Technology - Software

4 September 2020

Share details

ASX Code	360
Share price (3-Sep)	A\$4.26
Market Capitalisation	A\$630.1M
Shares on issue	147.9M
Net cash at 30/06/2020	A\$82.0M
Free float	73.97%

Share performance (12 months)



Upside Case

- Free users convert to paying subscribers
- 360 gains more traction outside the US
- Acquisition to complement existing offering

Downside Case

- Economic slowdown impacts discretionary spend
- Telcos and car manufacturers enhance their offering
- Telco and car manufacturers offer better premium safety options

Catalysts/upcoming events

FY20 result (Late February 2021)

Comparable companies (Aust/NZ)

ERoad (NZX:ERD)

Top 5 shareholders

Regal Funds Management	8.70%
Seraph Life360 LLC	5.91%
Christopher Hulls	5.85%
Fontinalls Partners, LLC	5.11%
Challenger Managed Investments	5.03%

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 26th November 2018

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- how we are paid, and
- complaint processes

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